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TO AMEMBASSY PANAMA PRIORITY

C O N F I D E N T I A L STATE 047316

E.O. 11652: N/A

TAGS: ETRN, PN

SUBJECT: CIVAIR - NEGOTIATIONS WITH PANAMA

1. SUMMARY: THREE-DAY CIVAIR NEGOTIATIONS IN WASHINGTON WITH PANAMANIAN MARCH 4-6 WERE CHARACTERIZED BY FRIENDLY TONE THROUGHOUT BUT ENDED WITH NO DECISION REGARDING NEW AIR ROUTES SOUGHT BY PANAMANIAN. BOTH SIDES AGREED TO CONTINUE TALKS AT SOME MUTUALLY-AGREEABLE DATE BETWEEN SEPTEMBER 1 AND NOVEMBER 30, 1974. PANDEL MADE FAVORABLE IMPRESSION UPON US OFFICIALS AND IN TURN EXPRESSED PLEASURE AT RECEPTION ACCORDED IT. END SUMMARY.

2. WASHINGTON MEETINGS WERE OPENED BY GOP MINISTER JUAN MATERNO VASQUEZ REQUESTING THREE NEW ROUTES THROUGH US, ON BASIS THAT EXISTING ROUTE AUTHORITY IN PRESENT AGREEMENT HEAVILY WEIGHTED IN US FAVOR. ADDITIONAL ROUTES REQUEST WERE:

A. RIGHTS BEYOND NEW YORK ON EXISTING PANAMA-MIAMI/ NEW YORK ROUTE.

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B. PANAMA VIA INTERMEDIATE CENTRAL AMERICAN AND MEXICAN POINTS TO LOS ANGELES AND SAN FRANCISCO AND BEYOND.

C. PANAMA TO SAN JUAN, PUERTO RICO AND BEYOND.

3. PANDEL PRESENTED STATISTICS SHOWING US AIRLINES DOMINATE EXISTING PANAMA-MIAMI/NEW YORK ROUTE OVER WHICH AIR PANAMA OPERATES AND AGREED GENERALLY THAT ADDITIONAL ROUTES WERE WARRANTED ON BASIS "FAIRNESS AND JUSTICE." USDEL DID NOT DISPUTE FACT THAT US AIRLINES DOMINATED ROUTES BUT SAID CORRECT TEST WHETHER PRESENT AGREEMENT IS IMBALANCED IN FAVOR US WAS RELATIVE ACCESS EACH COUNTRY HAD GRANTED TO AIRLINES OF OTHER. US MARKET IS FAR LARGER THAN PANAMA MARKET, AND SINCE US HAD ALREADY GIVEN PANAMA ACCESS TO ABOUT 80 PERCENT OF US MARKET BY VIRTUE ITS MIAMI/NEW YORK ROUTE, THERE WAS NO PRIMA FACIE CASE THAT AGREEMENT NOW WEIGHTED IN US FAVOR. WE SAID THAT FACT THAT AIR PANAMA'S SHARE OF ACTUAL CARRIAGE OF TRAFFIC VIS-A-VIS US AIRLINES WAS LOW IS DUE FACT THAT AIR PANAMA IS OPERATING AT A MINIMUM FREQUENCY LEVEL. PANDEL AGREED THAT NUMERICAL EQUALITY WAS NOT PERTINENT AND ONLY HALF-HEARTEDLY ARGUED AGAINST OUR MARKET ACCESS APPROACH. IN APPARENT ATTEMPT TO MAKE ROUTE REQUEST PALATABLE, PANDEL DROPPED REQUEST SHOWN PARA 2(A) ABOVE, AND DELETED BEYOND RIGHTS ON CALIFORNIA ROUTE (PARA 2(B)).

4. CHAIRMAN USDEL AND CAB OFFICIAL ON USDEL MET PRIVATELY WITH MINISTER MATERNO VASQUEZ AND DAC DIRECTOR GENERAL ABAD AND EXPLAINED THAT, IF PANDEL FORCED US TO A YES-OR-NO ANSWER NOW, OUR RESPONSE WOULD HAVE TO BE NEGATIVE. WE EXPLAINED WE HAD THIRD COUNTRY PRECEDENT PROBLEMS (OTHER LA COUNTRIES ALSO SEEKING CALIFORNIA ROUTES) AND THERE WERE AVIATION NEGOTIATIONS WITH OTHER COUNTRIES WHICH COULD AFFECT US AIRLINE OPERATIONS FROM CALIFORNIA TO LATIN AMERICA, AND THUS THE PANAMA SITUATION. WE ALSO LEANED ON THE IBERIA PROBLEM, EXPLAINING THERE WAS CONCERN OVER GRANTING PANAMA ROUTE RIGHTS FROM WHICH IBERIA COULD BENEFIT THROUGH ITS CONNECTION WITH AIR PANAMA AND THAT THERE WAS CONCERN LAST YEAR WHEN SPANISH REPORTEDLY BROUGHT PRESSURE ON GOP TO THWART INTRODUCTION WIDE-BODIED

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JETS BY PAN AM. (ON LATTER POINT, WE SAID WE APPRECIATED THAT GOP HAD NOT GIVEN IN TO SPANISH PRESSURES, BUT NOTED SITUATION COULD REOCCUR IN FUTURE.) MATERNO VASQUEZ AND ABAD RESPONDED THAT GOP WAS PLANNING TO DIMINISH IBERIA'S ROLE IN AIR PANAMA, THAT THERE WERE MOVES AFOOT TO BRING COPA, INAIR AND PANA-CARGA (REGARDING WHICH WE HAVE NO INFORMATION ADDITIONAL TO THAT IN EMBASSY'S MEMCON 4/9/73) CLOSER TOGETHER BY SOME MEANS (NATURE OF

WHICH NOT MADE ENTIRELY CLEAR TO US), AND THAT IT WAS
LIKELY THAT AIRLINES OTHER THAN AIR PANAMA WOULD BE DE-
SIGNATED FOR NEW ROUTES BEING REQUESTED. WE SAID THAT AS
THESE DEVELOPMENTS TOOK PLACE AND AS US SORTED OUT SOME OF
ITS THIRD COUNTRY PROBLEMS, AND WITHOUT BEING ABLE PROMISE
FAVORABLE ACTION LATER ON SOME OR ALL PANAMANIAN ROUTE

REQUESTS, IT MIGHT NEVERTHELESS BE EASIER DEAL WITH THESE
REQUESTS AT A LATER TIME. VASQUEZ AND ABAD ACCEPTED
THIS WITHOUT MUCH RESISTANCE, BUT SAID IT WAS ESSEN-
TIAL SET A TIME FRAMEWORK WITHIN WHICH TO CONTINUE CONSUL-
TATIONS. IT WAS THEREFORE AGREED RECESS TALKS AND TO
RESUME BETWEEN SEPTEMBER 1 AND NOVEMBER 30, 1974. DELEGA-
TIONS CHAIRMAN SIGNED BRIEF MEMORANDUM OF CONSULTATIONS
RECORDING PANAMANIAN ROUTE REQUEST, AS AMENDED (PARA 3,
ABOVE) AND AGREEING TO MEET AGAIN AT MUTUALLY-CONVENIENT
DATE WITHIN PERIOD SPECIFIED. COPY BEING POUCHED.

5. ATMOSPHERICS THROUGHOUT WERE CORDIAL. PANDEL
DID NOT SEEM TO WANT TO HARP ON PAST HISTORY EXCESSIVELY
OR TO DISPUTE US VIEWS AND AVIATION POLICY CONCEPTS EXCEPT
ON PRO FORMA BASIS. WE ATTEMPTED DEAL WITH SITUATION IN
SAME TEMPER. SEVERAL MEMBERS OF PANDEL SAID THEY WERE
PLEASED WITH RECEPTION ACCORDED TO DELEGATION AND FELT
TALKS HAD BEEN USEFUL BEGINNING. OUTCOME PRETTY MUCH
CONFIRMS REPORTS WE HAD RECEIVED THAT PANAMANIAN LOOKED
AT TALKS AS EXPLORATORY.

6. IN RELATED ACTIVITIES, ASSISTANT SECRETARY ARMSTRONG
HOSTED LUNCHEON FOR BOTH DELEGATIONS AND AIR TRANSPORT
ASSOCIATION OF AMERICA (ATA), PANAM, AND BRANIFF HAD
COCTAIL PARTY IN HONOR PANDEL. ARA/PAN DESK OFFICERS
INVITED MINISTER MATERNO VASQUEZ FOR LUNCH AND HAD USEFUL
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DISCUSSIONS WITH HIM CONCERNING ORGANIZATIONAL STRUCTURE
OF PANAMANIAN GOVERNMENT SYSTEM. THE MINISTER PAID
CALLS ON AMBASSADOR JORDEN AND DEPUTY NEGOTIATOR BELL.

7. BOTH THE MINISTER AND THE PANDEL FAVORABLY IMPRESSED
USDEL AND OTHER USG OFFICIALS WHOM THEY MET--THEY WERE
PROFESSIONALLY SERIOUS AND PERSONALLY FRIENDLY. KISSINGER

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